

Message Text

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PAGE 01 MOSCOW 05316 070803Z

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C O N F I D E N T I A L MOSCOW 5316

USDOC FOR BEWT/DOWNEY

E.O. 11652: GDS
TAGS: ETRD, EEWT, EGEN, UR, US
SUBJECT: SOVIETS LIST OF PROJECTS LOST BY U.S. COMPANIES

REF: STATE 79046

1. WHILE NOT WISHING TO ENGAGE IN NUMBERS GAME ARGUMENT WITH SOVIETS OVER VOLUME OF BUSINESS LOST BY U.S. INDUSTRY DUE TO 1974 TRADE AND EX-IM BANK LEGISLATION, WE FIND SOVIET LIST (REFTEL) OF "LOST PROJECTS" DIFFICULT TO ACCEPT.

2. IN OUR VIEW, SOVIET LIST IS BASED ON "BEST CASE" ASSUMPTION THAT, ARMED WITH EX-IM CREDITS AND BENEFITING FROM FACT THAT USSR HAD MFN STATUS ON U.S. MARKET, OUR COMPANIES WOULD EFFECTIVELY SWEEP UP BULK OF LARGE ORDERS PLACED IN WEST BY SOVIETS. IN VIEW COMPETITIVE SITUATION, WE SERIOUSLY DOUBT, FOR EXAMPLE, THAT ALL EIGHT AMMONIA PLANT ORDERS PLACED SUBSEQUENTLY TO JUNE 1974 CONTRACT WITH CHEMICO WOULD HAVE GONE TO U.S. FIRMS UNDER ANY CONCEIVABLE SET OF CIRCUMSTANCES. AS FAR AS PIPE FOR TOGLIATTI-DOESSA AMMONIA PIPELINE IS CONCERNED, ECONOMICS OF SHIPPING PIPE AN ADDITIONAL 3,500 MILES WOULD HAVE WEIGHTED SCALES HEAVILY AGAINST U.S. COMPANIES. AS FAR AS HOTELS CONCERNED, THERE WAS NEVER, AS FAR AS COMMERCIAL OFFICE AWARE, ANY SERIOUS CONSIDERATION GIVEN TO POSSIBILITY THAT U.S. CONSTRUCTION COMPANIES WOULD BUILD HOTELS. RATHER, U.S. HOTEL COMPANIES, TOGETHER WITH WESTERN EUROPEAN CONSTRUCTION FIRMS, PROPOSED TO BUILD HOTELS AND MANAGE THEM.

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PAGE 02 MOSCOW 05316 070803Z

3. REFERENCE TO CARPET MANUFACTURING FACILITY PRESUMABLY
REFERS TO CONTRACT WHICH SINGER DECIDED TO SUPPLY OUT OF ITS
UK FACILITIES RATHER THAN FROM U.S. DUE TO NON-AVAILABILITY OF
U.S. FINANCING, AND THUS QUALIFIES FOR INCLUSION IN LIST.

4. IN SUM, IT IS UNQUESTIONABLY TRUE THAT U.S. COMPANIES HAVE LOST
SUBSTANTIAL BUSINESS IN USSR DUE TO LACK OF CREDITYTS, IN FIRST
INSTANCE, AND TO ABSENCE OF MFN FOR SOVIETS. HOWEVER, SOVIET LIST
STRIKES US AN AN EXAGGERATION OF THE CASE WHICH CAN BE MADE.

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